

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 SAJ-01 BIB-01 DODE-00 PM-04 H-02 L-03 PA-01

PRS-01 CAB-02 FAA-00 DOTE-00 OES-03 /098 W

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R 041532Z MAR 76

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 836

INFO AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

USMISSION EC BRUSSELS

AMCONSUL LENINGRAD

AMEMBASSY LONDON

USMISSION NATO

USMISSION OECD PARIS

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

C O N F I D E N T I A L MOSCOW 3402

E.O. 11652: XGDS-4

TAGS: ETRD, EGEN, ENRG, EFIN, EINC, EALR, UR, COMECON, EEC

SUBJECT: REPORTED SOVIET PLANS FOR CHANGES IN MANAGEMENT OF FOREIGN  
ECONOMIC RELATIONS

REFERENCE: MOSCOW 2517

1. SUMMARY. AN ECONOMIST IN AN IMPORTANT SOVIET INSTITUTE HAS  
ALLEGED THAT EFFORTS WILL SOON BE MADE TO CENTRALIZE AND IMPROVE  
CONTROL STRUCTURE FOR ENTIRE SECTOR OF SOVIET FOREIGN ECONOMIC RELA-  
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TIONS. IMPROVED EFFICIENCY AND BETTER MANAGEMENT WILL BE MAJOR

OBJECTIVE, ESPECIALLY IN AREA OF FOREIGN TRADE. HE SAID THAT A PRELIMINARY MEETING ON THIS PROJECT, WHICH NOW HAS BACKING OF CPSU CENTRAL COMMITTEE, WILL TAKE PLACE IN MOSCOW EARLY IN MARCH. PARTICIPANTS WILL INCLUDE EXPERTS FROM GOSPLAN, MINISTRY OF FOREIGN TRADE AND TWO LEADING INSTITUTES. THE ECONOMIST NOTED STRESS ON IMPORTANCE OF FOREIGN TRADE IN BOTH BREZHNEV AND KOSYGIN SPEECHES AT CPSU PARTY CONGRESS AND CLAIMED THAT BY 1980 FOREIGN TRADE WILL BE A MAJOR ELEMENT OF SOVIET ECONOMY. EMBASSY EVALUATES REPORTED PLANS FOR CENTRALIZATION AND FOR MANAGEMENT CHANGES AS PROBABLY TRUE.

END SUMMARY

2. ON MARCH 2 EMBASSY OFFICER DISCUSSED BREZHNEV AND KOSYGIN SPEECHES AT CPSU CONGRESS WITH SENIOR ECONOMIST IN MOSCOW'S INSTITUTE FOR WORLD SOCIALIST ECONOMY. THE ECONOMIST CALLED ATTENTION TO ONE SECTION OF BREZHNEV SPEECH WHICH HE SAID WILL LEAD TO NEW DEVELOPMENTS

IN CONTROL STRUCTURE FOR SOVIET FOREIGN ECONOMIC RELATIONS. OTHER SUBJECTS IN CONVERSATION BEING REPORTED BY AIRGRAM.

3. BRIEF PASSAGE ALLUDED TO COMES AT END OF SECTION OF SPEECH ENTITLED "DEVELOPMENT OF FOREIGN ECONOMIC RELATIONS" (P 6, COL. 4, PRAVDA FEB 25). IN TRANSLATION IT READS: "POLITICS AND ECONOMICS, DIPLOMACY AND COMMERCE, INDUSTRIAL PRODUCTION AND TRADE ARE ALL INTERTWINED TOGETHER IN FOREIGN ECONOMIC RELATIONS. CONSEQUENTLY,, THE APPROACH TO THEM AND THEIR MANAGEMENT MUST BE COMPREHENSIVE, TYING UP INTO ONE KNOT THE EFFORTS OF ALL DEPARTMENT AND OUR POLITICAL AND ECONOMIC INTERESTS. THIS IS EXACTLY HOW THIS IMPORTANT ISSUE IS REGARDED BY THE PARTY'S CENTRAL COMMITTEE."

4. ACCORDING TO ECONOMIST, THIS CONSTITUTES AN OFFICIAL CPSU POLICY STATEMENT IN FAVOR OF CENTRALIZED CONTROL FOR ENTIRE SPECTRUM OF FOREIGN ECONOMIC ACTIVITY - FOREIGN TRADE, FINANCE, CEMA INTEGRATION, AVIATION, SHIPPING, OTHER ASPECTS. IT WILL REQUIRE DEVELOPMENT OF A NEW, LONG-TERM ECONOMIC STRATEGY AND SOME NEW CONCEPTS AND MANAGEMENT MECHANISMS, ESPECIALLY FOR FOREIGN TRADE. FIRST STEP, HE SAID, WILL BE PRELIMINARY MEETING OF EXPERTS AT USSR ACADEMY OF SCIENCES PRIOR TO MARCH 10. PARTICIPANTS WILL INCLUDE MEMBERS OF INSTITUTE OF WORLD ECONOMY AND INTERNATIONAL RELATIONS (IMEMO), GOSPLAN, MINISTRY OF FOREIGN TRADE, AND  
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ECONOMIST'S OWN INSTITUTE.

5. SOURCE SAID THAT INSTITUTE OF WORLD SOCIALIST ECONOMY HAS BEEN DESIGNATED TO LEAD MEETING AND WILL ALSO BE LEAD ORGANIZATION FOR ALL PROJECT PLANNING. HE REGARDS THIS AS COMPLIMENT TO INSTITUTE'S DIRECTOR, O.T. BOGOMOLOV, WHO HAS OVER PAST SEVERAL YEARS PUBLISHED SEVERAL ARTICLES IN FAVOR OF MORE ACTIVE ROLE FOR FOREIGN TRADE IN SOVIET ECONOMY AND ALSO IN WELFARE OF SOVIET

CONSUMER.

6. THE ECONOMIST CONCEDED THAT PLANNING AND IMPLEMENTATION OF CHANGES WILL BE DIFFICULT AND MAY TAKE AS LONG AS TWO OR THREE YEARS. MAIN PROBLEM, HE SAID, WILL BE TREMENDOUS BUREAUCRATIC RESISTANCE FROM MINISTRY OF FOREIGN TRADE (MFT). AFTER 24TH PARTY CONGRESS IN 1970 SOME ATTEMPTS WERE MADE AT CHANGES IN FOREIGN TRADE STRUCTURE, BUT MFT BLOCKED THEM ALL. HE NOTED THAT THERE ARE ABOUT 25,000 PERSONS IN MFT AND "THEY ALL WANT TO PROTECT THEIR JOBS." THIS TIME, HOWEVER, MFT HAS TO COOPERATE BECAUSE OF CENTRAL COMMITTEE POSITION. "AND THEY EVEN HAVE FEW IDEAS OF THEIR OWN WHICH MIGHT BE USEFUL."

7. THE RAPIDLY INCREASING IMPORTANCE FOR THE SOVIET ECONOMY OF FOREIGN TRADE AND ENTIRE SECTOR ECONOMIC RELATIONS IS MAJOR REASONS BY IMMEDIATE IMPROVEMENTS MUST BE MADE IN THEIR MANAGEMENT AND EFFICIENCY, ACCORDING TO SOURCE. NOTING THAT THIS INCREASING IMPORTANCE HAD BEEN MENTIONED IN BOTH BREZHNEV AND KOSYGIN SPEECHES, HE SAID THAT HIS INSTITUTE HAS ESTIMATED THAT BY 1980 IMPORTANCE OF FOREIGN TRADE IN SOVIET NATIONAL INCOME WILL BE PROPORTIONATELY EQUAL TO ROLE OF FOREIGN TRADE IN ECONOMIES OF LEADING DEVELOPED CAPITALIST COUNTRIES.

8. THE ECONOMIST WAS RELUCTANT TO SPECIFY JUST WHAT CHANGES MIGHT BE MADE. HE MENTIONED A "MORE REALISTIC" SYSTEM OF PRICES FOR GOODS IMPORTED INTO THE USSR AS ONE POSSIBILITY. MORE ACTIVE PARTICIPATION BY SOVIET MINISTRIES IN FOREIGN TRADE WAS ANOTHER. HE AGREED WITH EMBASSY OFFICER'S SUGGESTION THAT CURRENT OPERATIONS OF SPECIAL SOVIET PURCHASING COMMISSIONS IN WESTERN COUNTRIES, FOR KAMA RIVER PROJECT OPERATING IN NEW YORK AND FOR KURSK PROJECT IN FRG, BOTH OF WHICH PARTIALLY BYPASS FOREIGN TRADING ORGANIZATIONS, MAY BE INDICATIVE OF NEW TRENDS.

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9. COMMENT. EMBASSY REGARDS THIS INFORMATION AS LOGICAL ALTHOUGH SOURCE MAY BE OVERLY OPTIMISTIC ON GROWTH OF FOREIGN TRADE BY 1980. BOGOMOLOV AND HIS MAIN ASSOCIATES, INCLUDING YU. S. SHIRAYEV, HAVE BEEN ACTIVE, ALBEIT CAUSTIOUSLY, IN PROMOTING A MORE MODERN, WESTERNIZED CONCEPT OF FOREIGN TRADE IN THE USSR, FAR REMOVED FROM THE AUTARKY LINES OF THE 1920'S. THEY HAVE ALSO BEEN LEADING ADVOCATES OF CEMA INTEGRATION AND "INTERNATIONAL DIVISION OF LABOR." AN AWARENESS OF THE CPSU CENTRAL COMMITTEE POSITION AND THE PROBABILITY OF IMMINENT CHANGES IN THE SOVIET FOREIGN TRADE SYSTEM MAY EXPLAIN DEFENSIVE TONE IN FOREIGN TRADE MINISTER PATOLICHEV'S ARTICLE WHICH APPEARED IN PRAVDA ON FEB 18 (REFTEL).

10. PROGRESS, OR LACK OF PROGRESS, BY BOGOMOLOV GROUP WILL BE INTERESTING TO OBSERVE AND EMBASSY WILL REPORT VISIBLE DEVELOPMENTS

AS THEY APPEAR.

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## Message Attributes

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